

Message Text

CONFIDENTIAL

PAGE 01 MANILA 10052 040323Z

64

ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 NEA-10 IO-13 H-03 L-03 PA-03

PRS-01 USIA-15 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 RSR-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7739

C O N F I D E N T I A L MANILA 10052

USADB

TREASURY FOR FINKEL

E O 11652: ADS, DECLAS 12/31/73

TAGS: EAID, EFIN

SUBJ: U.S. CONTRIBUTION TO ADB SPECIAL FUNDS RESOURCES

REF: BEACH/PAIK TELECON

1. REF TELECON SUGGESTED THAT ADB PRESIDENT INOUE PROVIDE WRITTEN ASSURANCE TO U.S. GOVERNOR THAT PROPOSED U.S. CONTRIBUTION TO BANK'S SPECIAL FUNDS RESOURCES WOULD BE USED EXCLUSIVELY FOR PURCHASE OF U.S. GOODS AND SERVICES.

2. BANK'S DEPUTY GENERAL COUNSEL POINTS OUT THAT PROPOSAL POSES CERTAIN TECHNICAL PROBLEMS FOR BANK:

A. PRESIDENT IS UNABLE TO MAKE FIRM COMMITMENT SINCE ONLY BOARD OF DIRECTORS HAS AUTHORITY TO ACCEPT OR REJECT CONTRIBUTION;

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MANILA 10052 040323Z

B. QUESTION ARISES AS FOR HOW LONG A PERIOD OF TIME

PRESIDENT CAN MAKE ANY SUCH COMMITMENT BECAUSE OF LIKELIHOOD THAT IT WOULD TAKE SEVERAL YEARS FOR BANK TO OBLIGATE U.S. CONTRIBUTION. DURING THAT TIME, U.S. BALANCE OF PAYMENTS MIGHT IMPROVE SIGNIFICANTLY. BANK MIGHT POSSIBLY WISH TO ASK USG TO RECONSIDER ITS POSITION SUBSEQUENTLY, AND USG MIGHT WISH TO AGREE TO UNTIE.

3. KEEPING ABOVE IN MIND, PLEASE ADVISE WHETHER FOLLOWING SUGGESTED LANGUAGE IS ACCEPTABLE:

QUOTE

DEAR SECRETARY SCHULTZ:

I UNDERSTAND FROM THE U.S. REPRESENTATIVE ON THE BOARD OF DIRECTORS OF THIS BANK THAT THERE IS SOME CONCERN WHETHER FUNDS THAT MIGHT BE APPROPRIATED TOWARDS THE PROPOSED U.S. CONTRIBUTION OF \$100 MILLION TO THE SPECIAL FUNDS OF THIS BANK WOULD BE USED FOR THE PURCHASE OF U.S. GOODS AND SERVICES, TO THE EXTENT THAT THE CONTRIBUTION MAY BEAR A STIPULATION TO THIS EFFECT.

I WOULD LIKE TO CLARIFY THE POSITION AS FOLLOWS.

AS YOU ARE AWARE, DRAFT RESOLUTIONS FORMULATED AT A MEETING OF REPRESENTATIVES OF POTENTIAL DONOR COUNTRIES HELD IN MANILA IN APRIL 1973 ENVISAGE A THREE-YEAR FUNDING PROGRAM FOR THE BANK'S ASIAN DEVELOPMENT FUND, SUCH FUNDING TO BE IN TWO PHASES OF WHICH THE FIRST WOULD COVER LENDING REQUIREMENTS UP TO THE END OF 1974 AND THE SECOND WOULD COVER THE REQUIREMENTS OF 1975. THESE RESOLUTIONS ARE NOW PENDING BEFORE THE BOARD OF DIRECTORS WHILE WE AWAIT CONFIRMATION CONCERNING THE ATTITUDE OF THE U.S. ON THE MATTER. THE DRAFT RESOLUTION RELATING TO THE FIRST PHASE CONTAINS A PROVISION UNDER WHICH THE BOARD OF DIRECTORS OF THE BANK MAY ACCEPT "TIED" CONTRIBUTIONS, AS AN EXCEPTION TO THE GENERAL UNTYING PRINCIPLE PREFERRED BY ALMOST ALL OTHER DONOR COUNTRIES. THIS PROVISION HAS BEEN IN-BUILT IN VIEW OF THE KNOWN POSITION OF THE U.S. I BELIEVE THAT IF THE FIRST U.S. CONTRIBUTION SHOULD CARRY WITH IT A "TYING" PROVISION, APPLYING IN PART OR IN WHOLE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MANILA 10052 040323Z

THE BOARD OF DIRECTORS WOULD AUTHORIZE THE ACCEPTANCE OF SUCH A CONTRIBUTION IN THE INTEREST OF ACHIEVING THE OVERALL MOBILIZATION PROGRAM SO URGENTLY NEEDED FOR OUR CONCESSIONAL LENDING OPERATIONS.

SHOULD THIS BE THE CASE, THE BANK WILL CERTAINLY DEVISE PROCEDURES TO ENSURE THAT THE UTILIZATION OF ANY FUNDS CONTRIBUTED ON A TIED BASIS CONFORMS TO THE REQUIREMENT

THAT SUCH FUNDS BE USED FOR THE PURCHASE OF GOODS AND
SERVICES FROM THE TERRITORY OF THE CONTRIBUTOR MAKING
SUCH A STIPULATION, IN THIS CASE, THE UNITED STATES.

SINCERELY YOURS,

SHIRO INOUE

PRESIDENT

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